

# U.S.-KOREA TRADE AGREEMENT

## Illinois Farmers Will Benefit

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The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of agricultural products from Illinois, including feed grains, soybeans, beef, and pork. The state's agricultural exports to all countries, estimated at \$5.5 billion in 2009, supported about 44,000 jobs, on and off the farm. These export sales make an important contribution to the Illinois farm economy, which had total cash receipts of \$14.5 billion in 2009.

**Feed Grains.** Cash receipts for Illinois corn farmers were \$7.5 billion in 2009, accounting for 52 percent of the state's total. Illinois is the nation's second producer of corn and second largest exporter of feed grains and products. Among the KORUS agreement's benefits to Illinois feed grain producers and processors:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The KORUS agreement includes a new 93,774-ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 tons by year seven, after which quantities will be unrestricted.

**Soybeans and Products.** Soybeans are the state's second largest source of farm cash receipts, and Illinois is the second largest exporter in the country. In 2009, the state's farm cash receipts from soybeans were \$4.2 billion and exports of soybeans and products were estimated to be \$2.3 billion. Under the KORUS agreement:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

**Hogs and Pork.** Cash receipts of \$952 million in 2009 make hog production the state's third leading commodity. The KORUS agreement will provide many benefits to the Illinois pork producers:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

**Cattle and Beef.** The cattle and calf industry is the state's fourth largest source of cash receipts with \$487 million in 2009. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

<b>Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)</b>		
<b>Product</b>	<b>U.S. to World</b>	<b>Illinois to World</b>
<b>Feed Grains</b>	\$3,948,000,000	\$1,717,000,000
<b>Soybeans and Products</b>	\$17,709,000,000	\$2,267,000,000
<b>Hogs and Pork</b>	\$2,204,000,000	\$348,000,000
<b>Cattle and Beef</b>	\$6,703,000,000	\$178,000,000
<b>Agricultural Total</b>	\$96,632,000,000	\$5,538,000,000

*Compiled by ERS using data from Census Bureau, Commerce and NASS.*

*Note:* All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).